

*Workgroup Charge:*

This work group will develop for recommendation to the Health Care Cabinet, a proposal to create an actionable plan to align payer contracting with pharmaceutical manufacturers, PBMs, providers and pharmacies that aligns the value and price of prescription drugs to achieve the aims of improving outcomes and the patient experience, reducing overall medical costs and improving health equity. The recommendations will include meaningful actions that can be taken by state purchasers, regulators, the legislature, or other payers to promote the adoption of pharmacy purchasing strategies that achieve the above goals.

The workgroup will review various pharmaceutical value based purchasing strategies including, but not limited to:

- Performance based pricing – Price set based upon meeting certain clinical outcomes
- Value based pricing – Price set to match the value of the drug
- Indication based pricing – Varied pricing based upon the value of the drug in treating different indications

The workgroup will consider the impact on the cost to the consumer as it evaluates policy options related to the strategies above and make recommendations to ensure consumers share in the potential benefits of value based contracts.

*Key questions that need to be answered:*

What types of value based purchasing strategies are worth considering?

Does value based pricing have the potential to support the goals of improving outcomes and the patient experience, reducing overall medical costs and improving health equity?

What are the potential risks and pitfalls of a pharmaceutical value based pricing strategy?

What are the criteria to determine good candidates for value based pricing?

What resources and technical capabilities are required?

What regulatory and legal hurdles must be addressed?

What has been the experience with value based purchasing of pharmaceuticals to date?

How will opportunities to implement value-based purchasing strategies differ based upon specific payers?